

Message Text

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11

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 PA-04 PRS-01 USIA-15 L-03 DRC-01 /180 W

----- 083850

R 260711Z OCT 73

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 1895

INFO AMEMBASSY LONDON

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

UNCLAS CANBERRA 5857

E.O. 11652: N/A

TAGS: EFIN, AS

SUBJ: LEVEL OF VARIABLE DEPOSIT REQUIREMENT ON

FOREIGN BORROWING RAISED

1. FEDERAL TREASURER CREAN ANNOUNCED YESTERDAY THAT PROPORTION OF PROCEEDS FROM LONG-TERM (OVER TWO YEARS) FOREIGN LOANS WHICH MUST BE LEFT ON NON-INTEREST-BEARING DEPOSIT WITH RESERVE BANK RAISED FROM 25 PERCENT TO 33 1/3 PERCENT, EFFECTIVE OCTOBER 26.

2. COMMENT: PURPOSES OF MOVE PLAINLY TO RESTORE EFFECTIVE LEVEL OF DISINCENTIVE ON OVERSEAS BORROWING IN ORDER TO PREVENT INJECTIONS OF UNWANTED LIQUIDITY INTO OVERHEATED ECONOMY FROM OVERSEAS SOURCES. WITH RISE IN DOMESTIC INTEREST RATES RESULTING FROM GOA EFFORTS TO TIGHTEN MONEY SUPPLY, FOREIGN FUNDS -- NOTABLY EURODOLLARS -- WERE AGAIN BECOMING ATTRACTIVE TO SOME BORROWERS DESPITE EXISTING 25 PERCENT DEPOSIT REQUIREMENT IMPOSED IN

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DECEMBER 1972. EFFECT IS TO RAISE EFFECTIVE RATE OF

INTEREST ON FOREIGN BORROWINGS TO ONE-AND-ONE-HALF TIMES
NOMINAL RATE, AS OPPOSED TO ONE-AND-ONE-THIRD RESULTING
FROM PREVIOUS 25 PERCENT RATIO.

GREEN

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NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Draft Date: 26 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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Review Content Flags:
Review Date: 10 DEC 2001
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Review Exemptions: n/a
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US Department of State
EO Systematic Review
30 JUN 2005

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Review Release Event: n/a
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Review Withdrawn Fields: n/a
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TAGS: EFIN, AS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005